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**RESEARCH REPORT 0047
THE EFFECTS OF MANAGEMENT TRAINING
PROGRAMMES: THE PRODUCTIVITY INITIATIVE
PROGRAMME OF THE EU
1994-1999**

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1994-1999**

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Abstract

In this paper we intend to extract information out of one of the largest East-West training programmes, the Productivity Initiative Programme (PIP) of the TACIS Office of the European Union. Our survey is based on the results of a questionnaire answered by 438 participants employed in companies in the New Independent States (ex Soviet Union) and Mongolia (NIS).

In order to assess the usefulness of the training programme, we confront the views of the participants on the importance of various managerial topics, as perceived during their West European experience, to their actual implementation of this experience in their home countries. By examining deviations, we will be able to detect some bottleneck-topics. We also identify some internal and external factors, causing an under- and over-use of experience in the NIS companies. Next, we summarize the difficulties encountered by the participants during the implementation of changes in their companies, and finally, we present some major suggestions of the participants for effective implementation of Western managerial experience in NIS companies.

1. SOME BACKGROUND ON THE PRODUCTIVITY INITIATIVE PROGRAMME (PIP) OF THE EUROPEAN UNION.

The history of PIP goes back to 1994. It started as the European Union's response to the G7 summit in Tokyo where, among others, the need for management training was identified as crucial to the economic development of the ex Soviet-Union into a market economy. PIP was one of the programmes set up by the European Union's TACIS Office (Technical Assistance for the Commonwealth of Independent States).

The participants who took part in the survey underlying this study had the following training track. After a careful selection, they were hosted by EU based companies for a period of 10 weeks. During their 10 weeks internships, the participants were given an overview of the management experience in the company in order to check how they could, upon their return, implement an action plan for change designed in their home company. This action plan for change was first developed during a one-week "preparatory" seminar (in Moscow). Besides this seminar and the internship, three additional training activities were organised to optimise the result of the programme. Before starting the internships in the EU, participants took part in an "introductory" seminar (in Belgium) where the focus was on change management and market orientation. After the internships, the participants took part in the "concluding" seminar (in Belgium) where the action plan for change was fine-tuned on an individual basis. Finally, after their return to the home company, a "follow-up" seminar was organised (in Moscow) to assess to what extent the individual plans for change were effectively implemented and to assess the usefulness of "Western" management in the local environment. It is during these follow-up seminars that the data were collected relating to the present study.

Besides the design of the training programme, immense efforts were dedicated to the selection of suitable candidates and to the matching process between a candidate's home company and the West European counterpart. From 1994 until 1997, the programme was organised by the consortium Carl Duisberg Gesellschaft¹, Lovanium International² and CCAT³. From 1997 until 1999 the programme was organised by the British Council⁴ and Lovanium International.

¹ A major German training centre (mainly technical training) supporting international projects of the German government.

² International management training institute of the Katholieke Universiteit Leuven / Université Catholique de Louvain.

³ A Barcelona based consulting organisation specialized in international cooperation programmes.

⁴ British organisation to dissipate British culture abroad; recently the British Council set up a management development division.

The more than 1200 participants came from all the major industrial centres of the ex Soviet Union. In the first years of the PIP, participants were mainly selected from the traditional state enterprises. Gradually, candidates came more and more from the “new” companies. It is important to notice that the number of participants coming from a particular state were selected according to the size of the TACIS budget. In this sense the 1200 PIP participants are not considered to be a random sample.

The hosting companies represent more or less the “natural” interest in the NIS: Germany was, for instance, the largest hosting nation. For more information on these matters an interested reader can contact the TACIS Office of the European Union.

2. ASSESSMENT OF THE USEFULNESS OF WESTERN MANAGERIAL EXPERIENCE IN NIS COMPANIES

In order to measure the success and impact of a large training programme, such as the PIP, we analysed the relevance of the received management training to the day-to-day practice of the participants using a questionnaire. The analysis relies on answers given by a sample consisting of 438 participants who attended the follow-up seminars in Moscow from February 1996 until May 1999. This sample is somewhat biased since relatively more people from the Moscow region were included.

The questionnaire consisted of three parts. The first part proposed questions concerning the status of the home company of the participants and the extent to which the gained experience, through training in the West, was implemented in their home company. The second part of the survey investigated the importance that the participants attributed to the various managerial disciplines they got acquainted with during their West European internship. Finally, the third part asked whether the participants were able to use their experience concerning the specific management functions in their home company.

The first part of the questionnaire was rather general in nature and the following questions were selected for this study:

- a. *"How is your company doing?"*
serious problems / some difficulties / more or less successful.
- b. *"Has your training in Europe led to new contracts and projects of co-operation between West European companies and your firm?"*
yes / no.
- c. *"What happened to your action plan for change?"*
skipped / modified / partly (being) implemented / full implementation.

The idea of the question "How is your company doing?" was to identify the environment in which management development based on Western managerial experience took place. For the total population of 438 managers, 45% reported that their companies were "more or less successful" and about 40% declared to have "some difficulties".

This result may seem unexpected given the general perception of the state of the economy of the NIS states. An obvious observation is that participants were a bit optimistic in order "not to lose face". Another reason behind this seems to be a link between attention paid by the company to management development and its business success. Successful companies on the one hand have the necessary potential to dedicate resources and attention to management development and, on the other hand, they are successful due to effective management. In other words, NIS companies participating in PIP are not "average" or "typical" NIS companies, they seem to be more successful than average. This conclusion is, of course, slightly disappointing from the point of view of generality of our results, but it seems to support that the general view that companies with strong interest in management development tend to be more successful is also valid in the NIS.

As far as the second question is concerned, about 70% of the respondents declared that on the job training in Europe has lead to new contracts with EU partners. This looks very impressive, but detailed analysis shows that these results must be somewhat tempered. First of all, the above mentioned contracts and agreements are of different nature. Some of them account for a single time supply of a piece of equipment, while others provide a framework for long term co-operation. If we go into further details, we will see that the majority of agreements envisage movement of goods and technologies from West to East (in proportion of approximately 3:1). This includes situations where a NIS company becomes a dealer of a EU one, where assembly production from parts supplied from the West is organised in the NIS, where a kind of franchise agreement is concluded and so on. Such a misbalance is probably beneficial for EU companies in the short run, but can in no way, in our understanding, be regarded as adequate technical

assistance for a transition to a market economy in a long term perspective.

When asking about implementation of the conceived "Action plan for change" (APC)⁵ the most important indicator is the proportion of APC's totally skipped, thrown away upon return of the programme participant to his/her mother company in the NIS. Fortunately, this figure was found to be stable, slightly varying from one follow-up seminar to another in the range of 6 to 8%. About 43% of the APC were (partly) implemented. This rate of implementation of APC's may be regarded as an important indicator of the success of the programme. We consider that, given the level of uncertainty at the moment of development of the APC, it is difficult to expect higher rates of implementation.

Now we come to the core of this paper: we confront the subjective judgements of the participants. In order to assess the usefulness of the training programme, we relate the views of the participants on the importance of various facets of the managerial disciplines, as perceived from their West European experience, to their actual implementation of this experience in their home countries.

In the second part of the survey participants were asked to rank the importance of various managerial concepts and systems as either of small, relative or great importance, or without having the possibility to assess the importance. This part of the questionnaire will enable us to quantify the importance of various managerial topics in Western companies, as perceived by the participants during their West European internships (SCORE A). The last part of the survey questioned whether the participants were able to use their training experience in their home companies (SCORE B). This yes/no question was asked for every managerial issue proposed in the second part of the questionnaire.

The various managerial issues covered five broad categories. The categories referred to are (1) general management, (2) operations management, (3) financial management, (4) marketing management and (5) human resources management. The subdivisions of these categories in more detailed areas were as follows:

⁵ As stated before, the APC was designed before coming to Western Europe and, ideally, with the co-operation of the local top management.

(1) General Management

STRUCT: structure of management
MISSION: the existence of a mission statement
STRAT: the existence of strategic plans
PART: participative management systems
CULT: corporate culture
MIS: management information systems

(2) Operations Management

PROD: production planning and the link to sales forecasting
QM/CS: quality management and its link to customer service
ICS/FIN: availability of inventory control systems and their links
with finance
SUBCON: subcontracting and outsourcing
SHOP: shop floor organisation
SAFE: safety and security

(3) Financial Management

CASH: cash management
ANACC: analytical accounting
COACC: cost accounting
BUDG: budgeting
ROI: return on investment analysis
TAX: tax management
RECEIV: receivables management

(4) Marketing Management

ADV: marketing, advertising and promotion
MKTRES: market research
PRICE: pricing policies
FORC: sales forecasting
CS: warranty systems and customer service
SALES: sales organisation structure
ORDER: order processing and invoicing

(5) Human Resources Management

PERF: performance appraisal systems
TRAIN: management development and employee training
INCENT: incentives and compensation systems
COMM: internal communication
SELECT: selection and recruitment
PAYROL: payroll administration
CAREER: career planning

The items mentioned are, of course, not exclusive but they are related to the content of the various seminars within the PIP so that all the concepts ought to have a rather specific meaning to the participants. Ambiguities can, of course, not be excluded.

The results of these two parts of the questionnaire are represented in Table 1. In addition to the direct results of the survey, the table contains some further processing of the data.

	Small	Relative	Great	N. A.	SCORE A	Z(A)	Yes	No	SCORE B	Z(B)
1.STRUCT	49	179	167	43	0,649	0,599	247	191	0,625	1,265
1.MISSION	123	128	118	69	0,493	-0,804	185	253	0,501	0,290
1.STRAT	65	130	206	37	0,676	0,837	258	180	0,643	1,407
1.PART	122	163	82	71	0,446	-1,233	147	291	0,401	-0,503
1.CULT	42	150	188	58	0,692	0,983	177	261	0,466	0,010
1.MIS	51	89	241	57	0,749	1,498	215	223	0,564	0,785
2.PROD	72	112	177	77	0,645	0,564	225	213	0,623	1,249
2.QM/CS	37	98	220	83	0,758	1,573	239	199	0,673	1,642
2.ICS/FIN	111	94	111	122	0,500	-0,743	116	322	0,367	-0,767
2.SUBCON	96	123	97	122	0,502	-0,729	136	302	0,430	-0,269
2.SHOP	102	109	89	138	0,478	-0,938	126	312	0,420	-0,350
2.SAFE	142	106	54	136	0,354	-2,053	92	346	0,305	-1,258
3.CASH	106	83	124	125	0,529	-0,485	127	311	0,406	-0,463
3.ANACC	103	108	105	122	0,503	-0,715	126	312	0,399	-0,518
3.COACC	70	105	149	114	0,622	0,353	170	268	0,525	0,473
3.BUDG	71	81	159	127	0,641	0,528	166	272	0,534	0,545
3.ROI	71	109	129	129	0,594	0,100	135	303	0,437	-0,217
3.TAX	138	86	73	141	0,391	-1,727	72	366	0,242	-1,748
3.RECEIV	128	86	73	151	0,404	-1,605	74	364	0,258	-1,626
4.ADV	35	86	260	57	0,795	1,911	283	155	0,743	2,189
4.MKTRES	38	109	225	66	0,751	1,516	247	191	0,664	1,569
4.PRICE	76	130	164	68	0,619	0,326	192	246	0,519	0,428
4.FORC	71	111	168	88	0,639	0,502	190	248	0,543	0,616
4.CS	78	107	157	96	0,615	0,295	162	276	0,474	0,072
4.SALES	67	120	144	107	0,616	0,302	170	268	0,514	0,386
4.ORDER	111	120	110	97	0,499	-0,766	152	286	0,446	-0,148
5.PERF	77	152	143	66	0,589	0,054	151	287	0,406	-0,461
5.TRAIN	60	93	221	64	0,715	1,191	188	250	0,503	0,300
5.INCENT	92	150	121	75	0,540	-0,384	135	303	0,372	-0,729
5.COMM	66	121	159	92	0,634	0,465	138	300	0,399	-0,517
5.SELECT	92	119	153	74	0,584	0,010	139	299	0,382	-0,650
5.PAYROL	115	119	118	86	0,504	-0,705	105	333	0,298	-1,308
5.CAREER	113	114	114	97	0,501	-0,730	85	353	0,249	-1,694

TABLE 1: Results of Questionnaire + Computation of SCORE A and SCORE B.

SCORE A quantifies the perceived importance of the various managerial issues in the host company. In order to exploit the difference between the small, relative or great importance of a certain topic, we will accord a weight to every category for the computation of SCORE A. Since some participants did not come into contact with certain managerial topics, they were not able to use this experience in their own company. Therefore the managerial disciplines that are not assessed are left out of the sample size for the computation of the scores A and B. In determining the weighting coefficients, we choose to let SCORE A and SCORE B vary between 0 and 1. An issue that is valued by all the participants as being of small importance will obtain a SCORE A equal to 0. If all the participants determine the topic to be of great importance, the value will be 1. A managerial area of relative importance is situated halfway between small and great, thus at 0,5. In sum, the computation of SCORE A is as follows:

$$\text{SCORE A} = \frac{0 * (\# \text{Small}) + 0,5 * (\# \text{Relative}) + 1 * (\# \text{Great})}{(438 - (\# \text{Not Assessed}))}$$

SCORE B accounts for the use of the gained experience by the participants in their home company, due to the internships. Therefore this score is the proportion of affirmative answers in the adapted sample size. The computation of SCORE B is as follows:

$$\text{SCORE B} = \frac{\# \text{yes}}{(438 - (\# \text{Not Assessed}))}$$

Furthermore, in order to make comparisons, the data were standardised (or "normalised") according to the following formula:

$$Z(A) = \frac{[\text{SCORE A} - \text{Average}(\text{SCORE A})]}{\text{Standdev}(\text{ALL SCORE A})}$$

For Z(B) holds the same. At first glimpse, the data are rather regular, no outliers are visible. In Figure 1 and 2, the Z-scores are ranked from low to high, the reader can appreciate the rather remarkable symmetry of the results.

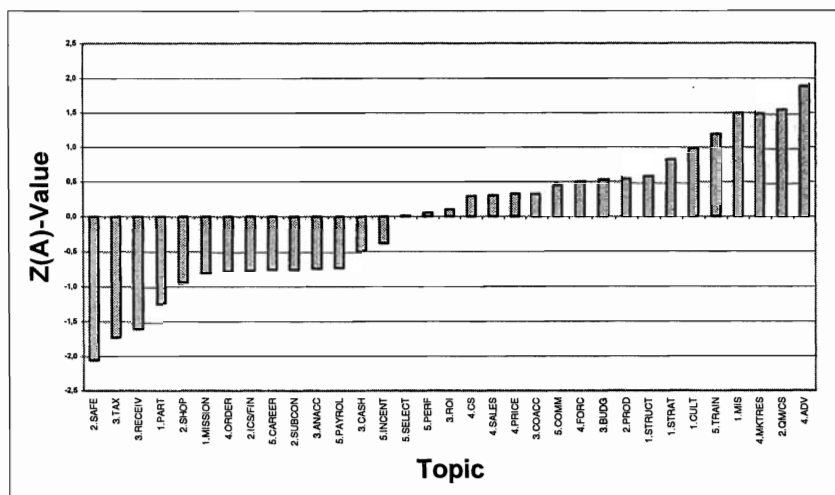


FIGURE 1: Ranked Z(A)'s (low to high)

The Z(A) values compare the relative importance that the participants of the programme assess to the different managerial topics in Western companies. Topics that have a positive rate are perceived as relatively more important. In Figure 1 we observe that a lot of stress is being put on some of the marketing topics. This is not very surprising, since the market economy of the West is characterised by a huge competition between companies. The most visible elements of this "battle" are situated in the area of marketing, advertising and promotion (ADV) and in the necessary market research (MKTRES). Other topics that are rated important are training (TRAIN), management information systems (MIS) and quality management (QM/CS). A rather strange conclusion from this graph is that safety and security (SAFE) are considered to be of minor importance in the Western companies. This should probably be explained by a different concept of safety and security in the NIS countries, where there is less sensitivity for prevention. If we have a look at the averages of the different categories, we notice that marketing management and general management score rather positively (respectively 0,585 and 0,313), while operations management and financial management score rather negatively (respectively -0,388 and -0,507). The importance of these last categories is perhaps less obvious to discover during a brief internship. The HRM category has an average Z(A) of approximately 0, which comes rather as a surprise. Even a relatively uninformed observer of the traditional "Soviet" companies would detect a large deviation from Western HRM practices. Why participants think HRM practice is not

important in Western companies remains a bit mysterious. This indicates that in management training programmes more attention should be given to HRM.

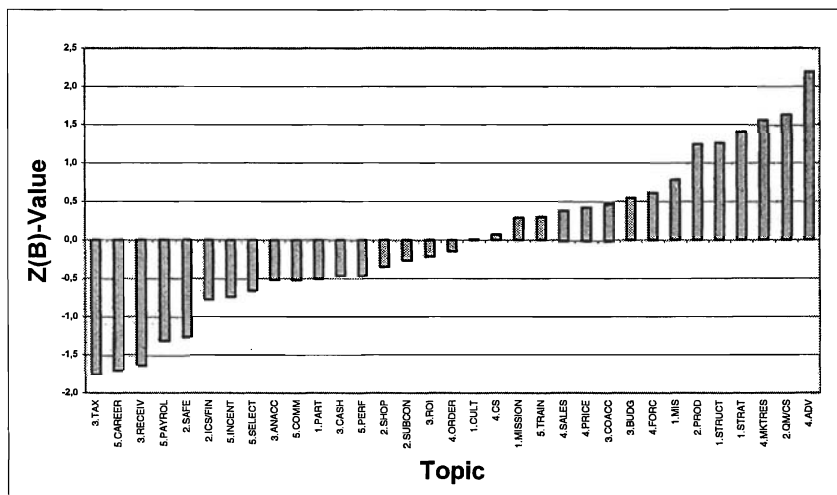


FIGURE 2: Ranked Z(B)'s (low to high)

The Z(B) values compare the relative use of the training experience in the home company. Clearly, the marketing, advertising and promotion experience is most used in the home companies. Other useful topics appear to be quality management (QM/CS), market research (MKTRES) and strategic plans (STRAT). If we look at the averages of the different categories, there is a rather high relative use of the marketing management experience (0,730) and of the general management experience (0,542). The usefulness of the financial management seems to be rather low (-0,508). A very interesting result is, again, the highly negative score of the human resources management category (-0,723). The operations management category has a Z(B) average of approximately zero.

The similarity between the two charts is striking. In order to put this into perspective, we will do a paired comparison of the Z-scores for the different managerial issues. This is done in Figure 3, where the ranked Z(A) scores are compared to their corresponding Z(B) scores.

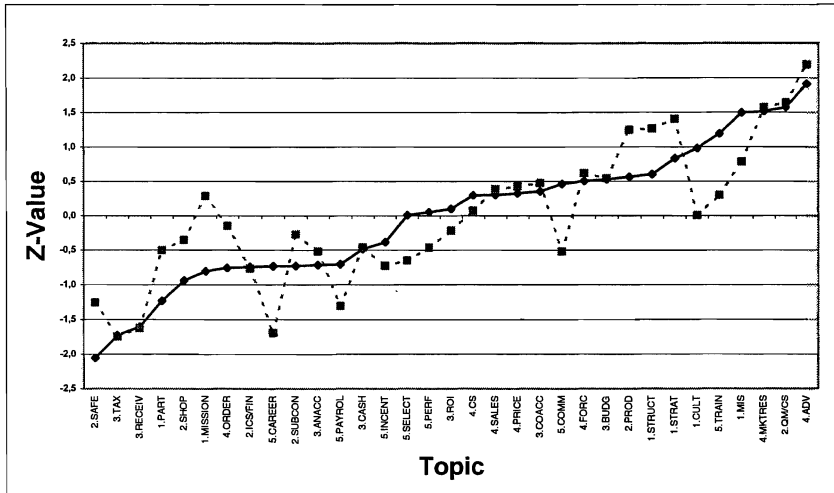


FIGURE 3: Ranked Z(A) scores with corresponding Z(B) scores

If we look at the definition of the different scores, one might expect similarities between both scores. When participants perceive an issue as being very important in a Western European company, they will most likely try to use most of their experience at their home company. They will be able to convince peers and superiors by explaining the benefits and potential of their experience. Therefore one would expect a high “use of experience”-value (SCORE B) corresponding with a high “importance”-value (SCORE A). This indicates obvious success topics of the training program. The opposite case, where an issue of minor importance is only adopted on a limited basis, seems also likely to occur. Participants will not be tempted to use or implement the experience of a managerial issue that they consider of lesser importance in the West. An interesting situation occurs when the experience of a topic of relatively high perceived importance is used on a relatively low scale (e.g. MIS, CULT, TRAIN, COMM). We identify this situation as an ‘under-use’ of experience. The reverse situation is called an ‘over-use’ of experience (e.g. MISSION). In the following paragraphs we try to identify some reasons for these deviations.

In order to get a better visualisation of the deviations, we will first introduce Figure 4, where we plot the Z(A) and the Z(B) scores in a two dimensional graph.

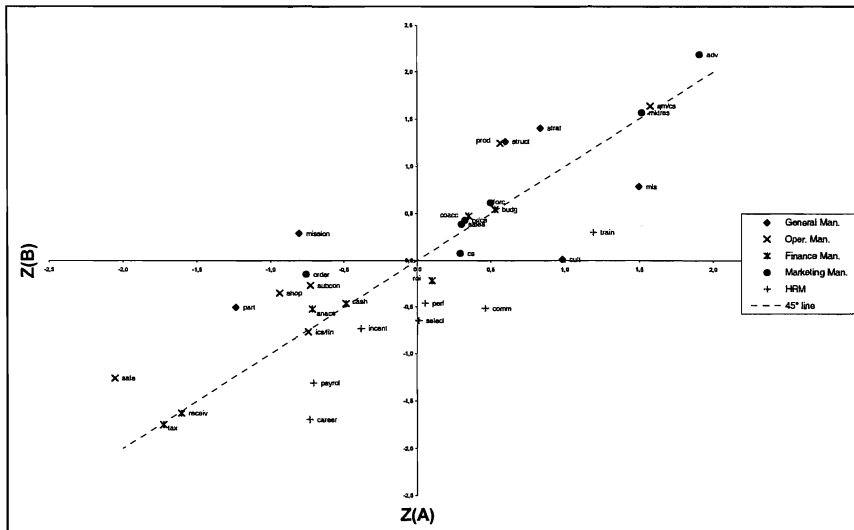


FIGURE 4: Comparison of Z(A) scores against Z(B) scores

The dotted line through the origin represents the 45° line, which identifies all perfect matches between the Z-scores. The points below the 45° line represent an under-use of experience, while the points above the 45° line indicate an over-use of experience in comparison to the attributed importance in the Western companies. As one can see, most topics are situated closely to the perfect match line, with very few observations lying in the off-quadrants. With this statistical information, an attempt will be made to put these results in perspective in the next paragraphs.

The interpretation of Figure 4 is rather striking: all items relating to HRM have a higher "importance" than "use" rating. From the general management category, there is a negative deviation for corporate culture (CULT) and management information systems (MIS). This under-use of experience suggests that something prohibits the implementation of some more highly valued elements of Western management. Generally speaking, this "something" may be of internal (that is belonging to the enterprise in question) or of external (environmental) nature. In the case of MIS, we notice that modern computer technologies and hardware are readily available in Russia and other NIS countries. What may be missing is investment to pay for it. In this case prohibition comes from the internal situation of the specific company. This lack of financial resources is probably the main reason for the rather poor use of management development and employee

training experience (TRAIN) in the home companies. Note that this financial shortage seems very limiting, even though our participants came from “above average” companies. On the other hand, reasons preventing a wide use of principles of establishing company culture (CULT) and of most HRM topics in NIS companies are clearly of more external nature as they are determined by the social and cultural legacy of the command economy. There is a tradition of corporate governance and management entrenchment that slows down the evolution towards more employee control in the firm.

The over-use of experience is, according to our opinion, mainly caused by external factors. First, there is the social and cultural context. For example, the importance of a written mission statement (MISSION) is perceived to be rather low in Western companies, but for a NIS company this mission statement is considered to be a quality label, that refers to Western managerial standards. Another explanation is that managerial experience is imported along with technology. When a NIS company purchases a large piece of equipment or even a whole plant, technological procedures in many cases call for specific form and tools of management. The most obvious example is probably McDonalds, but other sectors provide plenty of their own examples. In this case, even if a particular element of Western managerial experience does not seem specifically important, it is borrowed as a part of the whole package. Hence, estimates of importance are lower than the practical use.

Another explanation for over- and under-use of experience can be simple distortion of perception, misjudgement about the importance of a particular management tool or system by the participants. In this case the observations of management topics are simply underestimated (overestimated) and not overused (underused).

3. IMPLEMENTATION OF CHANGE AS VIEWED BY THE PARTICIPANTS

In the course of the follow-up seminars participants of the programme described in full details the process of improvement of management systems of their companies based on the experience acquired during on the job training in Europe. Let's give some examples.

Service industry

Mr Burinskiy from Kiev (Ukraine) – the owner and CEO of a travel company – described his post-programme experience in a very positive way. First, he has improved dramatically his personal managerial toolkit. It was interesting to hear about Michael Porter's scheme for competition analysis, which was always on his desk. Mr Burinskiy has decided to change his company's structure. The new structure was in line with the general tendency towards outsourcing, which could be

observed in European companies, that Mr Burinskiy had visited. The transportation division was sold out and released capital was utilised to create branches of the company in Odessa and Krivoy Rog.

Financial sector

Mr Kassatkin – a middle level line manager of the “Severskiy” branch of Inkombank – had his on the job training in the main office of Bank Austria in Vienna. He found the Austrian bank experience in servicing large corporate clients extremely useful. Methods and organisation of this work, studied by Mr Kassatkin in the Finance & Syndication Department, have been successfully transferred to the Russian bank, which enabled the latter to increase the total amount of credits by 40% for the period from May to August 1998. Unfortunately, this was not a happy end story as the financial crisis of August 1998 crippled the bank to the point that co-operation between the Russian and the Austrian bank was stopped. The operations of the “Severskiy” branch were also stopped and Inkombank as a whole applied for bankruptcy.

Machine building industry

A group of PIP participants came from the Joint Stock company “Elinar”, a diversified manufacturing company located in the Moscow region. First, the CEO took part in the programme, and then he involved a group of his subordinates in PIP. The main emphasis was put on the use of analytical accounting and cost accounting (ANACC and COACC). Implementation of these ideas has made the system of accounting used at the enterprise close to European standards. In turn, this laid a foundation for the revised system of decision making in the company. In particular a new system of decision making on minimum price levels has been introduced. “Elinar” company proved to be effective and is one of the success stories of the PIP.

Metallurgical industry

Mr Portaresko and Mr Filippov came from the “Red October” metallurgical plant in Volgograd (Russia). At the moment of his programme participation, Mr Portaresko held the position of Technical Director of the company. As a result of the training, a program of company restructuring based on modern managerial concepts was presented to the board of directors. But it was rejected. Later, the company went bankrupt. External administration fired about 90% of the company managers. Several divisions were closed (which had been envisaged by the program of restructuring developed by the PIP participants). It resulted in certain improvement of the company's position but extreme centralisation on management has endangered the whole corporate culture. As a result company indicators had once again deteriorated by February 1999. In spite of these difficulties the team of participants is pursuing their struggle and they are sure that they are doing the right things.

Thus, participants' stories are full of interesting details, which, when analysed separately, can hardly give us a holistic image of the difficulties encountered by participants in course of implementation of their plans for changes. Generalised statistical data give us a more precise image.

When asked what kind of difficulties they have encountered in the course of implementation, a majority of the participants mention in the first place a lack of financial resources (about 40%). This option is, of course, the most controversial. On the one hand, as already mentioned, lack of resources is not only a bad precondition for management development, but it is also a result of insufficient management development. On the other hand, this reason has a clear external character for PIP participants. The logic behind this could be the following: "If we had resources, we would do this and this. Let's wait for better times for management development". Next to this "financial" factor, opposition from peers and bosses is quoted as the most important difficulty. It accounts for approximately 25% of the mentioned reasons. The next is lack of time for information dissemination (about 20%). This probably implies that the participants were overloaded with routine tasks and had no time to go for something new. The fourth difficulty mentioned, is lack of support in form of consultancy. Although this latter difficulty was the least mentioned (15%) it is an important indicator of the value, attributed by the participants, to management professionals and management education.

4. CONCLUSIONS AND SUGGESTIONS FOR FUTURE DEVELOPMENTS

It is fair to state that most of the participants of the programme saw clear benefits to the training programme.

It should be recalled that major implementation problems seem to have occurred due to specific economic conditions of the NIS (lack of financial resources, turbulent environment, the legacy of the past). The HRM "bottlenecks" identified in our study seem to indicate that management training programmes should probably focus more deeply on the so-called human issues. All the more so since the participants readily accepted the importance placed on marketing and general management issues. At a more general level this study shows that a quantitative analysis can lead to more precise insights of the impact of management training programmes on real life practice.

Turning to major suggestions for future development proposed by the participants, they were asked during the follow-up seminars to suggest ways for effective implementation of Western managerial experience in NIS companies. They could formulate this either as a must, either as

something likely to be effective or as something that should definitely be avoided. The results of these discussions were very impressive from the point of view of how unanimous the participants were (each group was not aware of the opinion of the previous groups). The most important “must” expressed was team approach. Only organising teams of re-trained managers can create a critical mass for the process of restructuring. The second “must” was rather unexpected namely the necessity of a more thorough documentation of the change process. This seems to be very interesting and reflects certain features of local business culture (bureaucracy?).

Finally, according to the participants one should avoid “doing it like in the West”. In order to effectively improve business processes it is necessary to find the gold median between blind copying and reinventing the wheel.

